



UNITED STATES SENATE  
**REPUBLICAN  
POLICY COMMITTEE**

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**Unemployment Insurance**

## **Congress Extended Benefits for Displaced Workers; Now It's Time to Extend Them a Job**

When Americans began losing their jobs as a result of the slow economy and the effects of the attacks on September 11, 2001, government safety nets were ready with unemployment insurance benefits for up to 26 weeks for all eligible workers. Workers in states with high unemployment were eligible for up to an additional 13 weeks of benefits.

In March, Congress and the President enacted the Temporary Extended Unemployment Compensation (TEUC) program. The TEUC program provides for displaced workers who exhaust their regular benefits (up to 26 weeks) up to an additional 13 weeks of benefits, and up to yet another 13 weeks in states with unemployment rates higher than 4 percent. The Labor Department estimates this law will cost taxpayers \$8.9 billion in 2002. Further, Congress gave \$8 billion in federal unemployment trust funds to states to spend on expanded unemployment benefits or related services.

- **The 107<sup>th</sup> Congress has enhanced and extended unemployment benefits by up to six months at a cost to taxpayers of \$17 billion.**
- The unemployment benefits extension enacted by the 107<sup>th</sup> Congress was more generous than previous extensions in terms of (1) the speed in which it was enacted, (2) the fact that the unemployment situation was less dire than when other extensions were enacted, and (3) the dollar amount is greater.
- The 107<sup>th</sup> Congress also extended the duration of [Trade Adjustment Assistance](#) benefits (for workers who lost their jobs due to trade) to cover eligible workers for a maximum of over 2.5 years.
- The 107<sup>th</sup> Congress also extended the duration of [Disaster Unemployment Assistance](#) for victims of the September 11 attacks in New York and Virginia from 26 to 39 weeks.
- In total, the federal government will provide up to one year of unemployment benefits to eligible workers in 2002 at a total cost to the federal treasury of [\\$51 billion](#).

The Bush Administration has proposed giving states more control and flexibility in operating their unemployment insurance programs. More importantly, President Bush has called on Congress to pass tax cuts that will result in job creation so workers won't need to rely on unemployment. This includes making the tax cut permanent and taking further steps toward tax relief and simplification.

Now at the last moment, Senate Democrats led by Senators Kennedy and Clinton today proposed to go beyond simple extensions of unemployment insurance benefits to widen eligibility and increase the size of benefits. This would be ill-advised.

- First, Congress already has extended unemployment benefits on a number of occasions.
- Second, dictating an eligibility expansion would move in the opposite direction of what is needed (and what the President has proposed): to provide states with added flexibility.
- Third, expanding unemployment insurance today will lead to lower benefits or higher taxes tomorrow. Preliminary estimates from the Congressional Budget Office indicate Senate Democrats' wish list could cost taxpayers as much as \$13.3 billion in 2003 and \$20 billion over five years.
- Fourth, the unemployment rate (5.7 percent) is still below what economists consider "full employment" (6 percent). (The unemployment rate among those who are actually eligible for unemployment insurance is even lower.) During the recessions of the 1980s and 1990s Congress never extended unemployment benefits when the unemployment rate was as low as the 5.7 percent it is today.
- Fifth, raising unemployment benefits would further retard people's search for work and slow the recovery – factors that must be weighed against even a simple extension. As the *New York Times* reported earlier this month, "The expiration of benefits typically helps the economy, forcing people to find work eventually and preventing unemployment stretches from reaching the length they do in Europe, where benefits are more generous, economists say" [9/9/02].

The extended unemployment benefits already enacted by Congress will remain available for another three months. Now Congress should heed President Bush's call to make sure that everyone who wants a job can find a job. Rather than keep workers in unemployment lines, Congress should reform unemployment insurance and help the economy create jobs that will move people off unemployment.